DOCUMENT RESUME

ED 275 578 SO 017 523

AUTHOR Schug, Mark C.; And Others
TITLE Competition in the Marketplace.
INSTITUTION Lesley Coll., Cambridge, Mass. National Center of Economic Education for Children.
SPONS AGENCY Joint Council on Economic Education, New York, N.Y.
PUB DATE 84
NOTE 14p.; For related documents, see SO 017 511-525.
AVAILABLE FROM Joint Council on Economic Education, 2 Park Avenue, New York, NY 10016.
PUB TYPE Guides - Classroom Use - Guides (For Teachers) (052) -- Journal Articles (080)
JOURNAL CIT Elementary Economist; v6 n2 1984-85

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Activity Units; *Competition; Concept Teaching; Cooperation; Early Childhood Education; *Economics Education; Elementary Education; Experiential Learning; Learning Activities
IDENTIFIERS Market Economy

ABSTRACT

The conceptual introduction to this issue focuses on two questions: why study competition and what is a competitive market. Four instructional units follow, beginning with "Choosing Competitors." This preschool and kindergarten unit involves students in competitive games (naming colors), role playing competitive behaviors, comparing toys, and making pictographic decision charts. The first and second grade unit, "The Funny Putty Factory," offers four separate activities ranging from a race to making a "funny putty product, each designed to help students understand the concept of competition. "Why Do We Buy?" the unit for third and fourth grade children, helps students analyze advertising techniques, conduct a market survey, and learn about competition by selling cupcakes. The last unit, intended for fifth and sixth grade students, offers students a view of community competition (as between realtors and restaurants, for example) and shows how competition helps people develop new products and keep prices down. (JDH)

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Competition in the Marketplace

Elementary Economist

Mark C. Schug

1984

U.S. DEPARTMENT OF EDUCATION
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The
Elementary Economist.
Published by the National Center of Economic Education for Children

THEME OF THIS ISSUE

INTERNATIONAL MARKETPLACE

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Writing Opportunities:

The Elementary Economist presents exciting classroom-tested activities designed to integrate economic themes and decision-making skills into the elementary curriculum. As we prepare *The Elementary Economist* for the 1985-86 school year, we encourage you to consider writing a teaching activity article for publication. Four authors are needed for each issue, one for each grade level (Pre-K, 1-2, 3-4, and 5-6). Each issue focuses on a specific theme or concept. The themes to be presented in the three issues of '85-'86 are: **(1) Entrepreneurship, (2) Employment, and (3) Economic Growth**

To receive a "Prospective Author" form and an explanation of each of the topics, complete the form below and send to: **Editor, *The Elementary Economist*, NCEEC at Lesley College, 35 Mellen Street, Cambridge, MA 02138**

DO NOT SEND ARTICLES! The "Prospective Author" form provides space for submitting sample teaching activities. If you are interested in sharing your creative ideas for bringing economic awareness to children, then this could be *your* opportunity to benefit professionally *and* financially.

YES! Send me information on writing teaching activity articles for *The Elementary Economist*.

Name (Please print/type): _____

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Center News

Director Participates in National Indian Conference

Dr. Loismay C. Abeles, Director of NCEEC was invited to present workshops on the National Center's 'economic way of thinking' at the 1985 National Indian Leadership Conference held on the Brigham Young University campus, March 18-20. The conference was sponsored by American Indian Services of Provo, Utah. Over 200 American Indians from throughout the United States and Canada attended the three-day conference, the theme of which was "A Time for Preparation, Potential and Promise." Mr. Howard T. Rainer, a Pueblo Indian and 1985 Conference Chairman, said of Dr. Abeles' presentation, "Your professionalism and warm personality generated excitement and interest in an area that Indian people have great difficulty developing. The need for educating the Indian youth in economics is critical to their survival in the future. Your presentations were well accepted and provided a positive experience for many to gain insight into this challenging field."

Many activities are planned which will expand the Center's involvement with Indian nations, including meetings in Washington, D.C. with Dr. Thomas E. Sawyer, Chairman of the National Advisory Council on Indian Affairs and Dr. Frank Ryan, Director of the Indian Education Program, U. S. Department of Education. Discussions will focus on providing NCEEC's economic education program to as many Indian nations as possible.

The NCEEC has also been designing curriculum materials for the Mississippi Band of Choctaw Indians in Philadelphia, Mississippi, and will be working with the Boston Indian Council, Boston, Massachusetts, and the Principal Chief of the Cherokee Nation, Tahlequah, Oklahoma.

During the festivities of the 1985 National Indian Leadership Conference held at Brigham Young University, Dr. Lois Abeles, Director of NCEEC (above) speaks with the first attendant of the 1984 Miss Indian BYU, a university student. Highlights of the festivities were traditional dances of many Indian nations, among them the scarf dance performed by these children (right).

NCEEC Signs Contract with Walt Disney Studios

Walt Disney Telecommunications and Non-Theatrical Company of Burbank, California, has selected the NCEEC to be its major consultant for the production of a film on economics for elementary school children. The film will be the first of its kind for Disney studios. This film is designed to educate elementary school *teachers* as well as students, and focuses on the National Center's 'economic way of thinking.' It uses a problem-solving and decision-making approach to such economic topics as scarcity, unlimited wants, opportunity cost, and choice.

Dr. Loismay C. Abeles, NCEEC Director and Disney consultant with Dr. Robert W. Reinke, NCEEC President, will play a leading role in the film which will feature children in an actual classroom setting as well as in their fantasy worlds. Filming in California will begin on June 18, 1985. Release time of the film will be announced in a future issue.

International Marketplace

by Dr. Donald A. Wells

Donald A. Wells is a Professor of Economics at the University of Arizona. He has taught in economic education programs for over 15 years, and he has received a number of university and national teaching awards.

THE PRODUCTIVITY OF EXCHANGES

Wealth is whatever we value. It is essential to remember that human values are the basis for economic value. The saying, "One person's junk is another person's treasure," illustrates the point. A visit to a swap meet or a garage sale confirms the adage. Similarly, garbage has a negative value until we find a productive use for it, such as burning it to generate electricity.

One way to create wealth is by producing goods and services when the value of the inputs (land, labor, capital) is less than the value of the outputs. Another way to create wealth is by exchange. The swap of a football for a baseball bat by two students during recess increases wealth. Each gives up something of lesser value (the input) to receive something of greater value (the output). Voluntary exhchanges are productive; restrictions on voluntary exchanges reduce wealth.

People have not needed economists to learn the benefits of trade. Archeologists tell us that the exchange of ivory from the north for Mediterranean sea shells took place as early as the Ice Age. It was the search for trade routes that led to the discovery of the new world. The founders of the United States ensured that trade among the states would not be restricted, and this action helped to lay the basis for economic growth and rising standards of living. International trade is simply an extension of the exchange principle. For the nation as a whole, exports are traded for imports which have higher values to domestic consumers than what is sent abroad.

COMPARATIVE ADVANTAGE AND SPECIALIZATION

An excellent trial lawyer who can type 150 words per minute still finds it profitable to employ typists. In technical language, the lawyer may have an absolute advantage in typing, but a greater, or relative, advantage in providing lawyer services. (An ineffective lawyer perhaps should do his own typing). The lawyer finds it productive to specialize and buy services from typists who may type only 70 words per minute. Similarly, individual countries gain by specializing in output (goods/services) where there is comparative advantage and trading with other countries. Specialization results in more efficient production, increased exchanges and contributions to wealth. Restrictions on trade reduce specialization.

Comparative advantage can be explained by resource endowment and by relative costs of production. Being endowed with an abundance of good farm land has contributed to U.S. grain exports. Our imports of oil, coffee, cocoa, and sugar reflect the natural resource endowments of other countries. Lower labor costs abroad help to explain our imports of clothing, shoes, and television sets. Our exports of high technology items like computers, machinery, chemicals, and scientific instruments are rooted in a skilled and innovative labor force, and a business environment that fosters the application of new technology and scientific discoveries. It is important to understand that comparative advantage is not fixed, but varies with changing economic and cost conditions. As less-developed countries develop their own industries, the competitiveness of some U.S. industries changes. As the availability of natural resources decreases in the U.S., imports of commodities from abroad will rise. The other side of the coin is that the rising income in these countries contributes to our export of items where we retain comparative advantage.

EXPORTS AND IMPORTS

U.S. exports and imports of merchandise each have been between $200 billion and $300 billion in recent years. Trade in services both ways has ranged around $50 billion. Export and import trade has amounted to about 8 percent of the value of our total national output of goods and services.

Exports contribute to domestic money incomes and employment within the U.S. Imports not only contribute to domestic consumption but also to employment, because many imports are processed and serviced here. Exports reduce the availability of goods and services in the U.S., while imports increase their availability. Exports should be viewed as the cost of obtaining foreign goods and services. There is no reason to increase exports as an end in itself. After all, exports embody the use of valuable domestic resources that will be used to increase consumption standards of foreigners rather than of Americans. Exporting goods and services, however, allows for Americans to have imports from around the world thus increasing their consumption standards.

Imports are a major source of competition. By adding to the availability and variety of goods and services, consumers are given greater choice and better bargaining power. Local retail stores' shelves are filled

(continued on back page)

Traders and Travelers

by Olga C. McLaren

Olga McLaren is currently teaching kindergarten at St. John's School in Houston, Texas. She is also an Associate Consultant for the Harris County Department of Education in Houston. Mrs. McLaren holds a B.A. from Baylor University and an M.Ed. from University of Houston.

International Marketplace

Young children come in daily contact with products of the world such as tennis shoes from Asia, toys from Mexico, and foodstuff from everywhere. They also practice trade: food at lunch, stickers and toys at play and cards on holidays.

Using hands-on activities, children will become involved in grouping products by resource type, use, and country of origin. As island inhabitants, they learn that people trade products in order to have a greater variety of foods available. Such activities provide children with a basic understanding of how international trade affects our lives.

Student Goals

1. Understand the concepts of market and product.
2. Learn why trade occurs and that trade develops interdependence.
3. Become aware that some products are imported and some are exported.
4. Realize that international trade enables us to have more products.

Teaching Activities

I. Markets and Products

listening skills • classifying • recall

To introduce the concepts of markets and products, read two children's books to the class. *On Market Street* by Anita and Arnold Lobel is a beautifully-illustrated picture book of a young boy who travels down Market Street stopping at all the shops to buy the goods available — from A (apples) to Z (zippers). He then gives them all to his friend, the cat. Since each product is uniquely illustrated, children will find them easy to remember. Ask the children, "What is a *market*?" (a place where you can buy things) Explain that different *products* are sold at markets; and, that products are things that are grown or made by people. Now ask the children, "In the book, what *food* products did the boy buy that he could *eat*?" (Turn each page of the book so the children can call out the food items pictured.) "What products did he buy that people could *wear*?" (Turn each page again.)"... that he could *play* with?" (Repeat) Ask each child which *one product* would he/she like to buy?

The following day, read the story "The Cow Who Fell in the Canal" by Krasiovsky and Spier (Doubleday). It is also available in filmstrip. This is the story of a cow, name Hendrika, who lives on a farm in Holland. She produces creamy white milk and cheese for market, but she never can go to market herself to see the sights. When she accidentally falls in the canal, she gets onto a raft and floats down the canal to the market. There she enjoys the crowds and colorful scenes, and especially seeing the balls of cheese piled high, ready for sale. After reading the story, ask the children, "What does Hendrika *produce* for market?" (milk, cheese) "Where does Hendrika want to go? Why? What does she see at the *market*? Who does she meet there? Did she enjoy her trip to market?" Explain to the children that this is an outdoor *market* in a country named Holland. People go to market to buy and sell different things (*products*). Ask the children if they know a type of flower mentioned in the story that grows very well in Holland? "Who can name *two products* that you've now learned come from Holland? (cheese, tulips)

II. International Product Fair

social studies • classifying

Send a note home to parents/guardians asking them to help their child select a suitable item (product) to bring to school that was made (produced) in a foreign country. Ask parents to note the country of origin. If possible, add some of your own items to the collection. Set aside a table for the purpose. As the items arrive, ask the children what country their product is from and write a tag identifying each country. Explain to the children that all products are made from things in nature, called *resources*. Hold up each item and ask the children from what resource each is made (wood, clay, oil — plastics, wool — cloth, animals — leather, etc.)

Guide the children to group the items into categories, such as man-made materials and natural materials, items by use (clothing, games, ornaments), and by country or continent. Use the *National Geographic Picture Atlas of Our World* to locate the countries represented by the products, then place flag pins on a world map identifying each country.

III. Islands Need Friends

concept building • math • game playing

This interdependence game provides children with an opportunity to learn why people trade. Explain to the

PARENT CORNER: *Ask your child to name all the foods he/she ate the previous day. Identify those that may have come from foreign countries (bananas, cocoa). Explain that trade allows us to have a greater variety of food and other items.*

class that they are going to pretend that they live on an island and will be given the chance to trade what they produce (food/fruit). They may *only* trade one item for one other item, however.

Divide your class into small groups of three or four children. Give each group a plastic margarine container or other item to represent an island. Give each group small objects (blocks, buttons, etc.) of *one* color only. Each group should have as many blocks (buttons, etc.) as there are groups, so that after trading everyone has each others' blocks. Now give each group a piece of plastic food (this is what their island produces). Say, "Red, your island grows only apples. Orange, your island grows only oranges. Yellow, . . . bananas, etc." Tell a story of how tired the people on Apple Island became of eating just apples. They wanted to try something new and different, but they couldn't grow anything else. They realized that Banana Island had something they wanted. So, they traded one apple for one banana from Banana Island. Continue this until every island has one of each type of food. Explain to the class that because they traded, they now have a greater variety of things to eat.

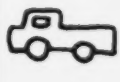
This may seem simple to adults, but the children love the trading activity and making motor sounds as they transport the foods by water or air. Later, reinforce this activity using flannel board pieces. Cut shapes of the islands, ships and planes and elicit conversation about transportation. Also, ask the children, what else might the islands *import* (bring in) or *export* (send out)? Do people need other things besides food?

IV. Cars Mean More than Transportation

grouping • sculpture • matching

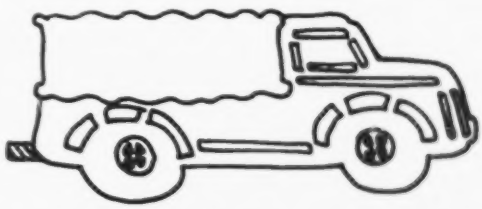
This is a lesson in product choices in which children learn that people select different cars and that some are made in different countries.

Send a note to parents/guardians explaining the purpose of your lesson, and asking that they provide information about their family car: make, style (van, sedan, wagon), made in U.S./or other country. When the information is in, ask the children, "What style of vehicle (van, wagon, etc.) does your family have? Do you know its brand name? Do you know if your car is made in the U.S. or in another country? Why do you think your parents chose this car?"

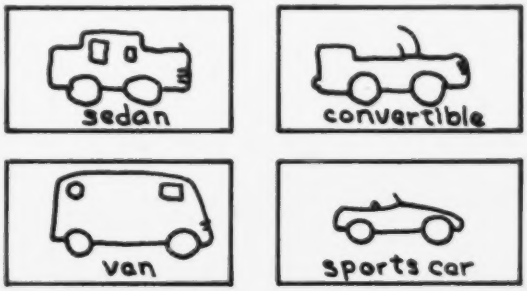
Family Vehicles			
Made in U.S.A.		Made in Other Countries	
			
Liz's Ford	James' Dodge	Bob's VW	Babs' Toyota

Make a chart of each family's choices. Divide the vehicles into two groups—Made in U.S. and Made in Another Country. Then use a simple illustration to show the type of vehicle (van, wagon, truck, etc.) owned by each child's family, for example, "Bob's VW."

As a follow-up activity make salt dough with the class and have each child make a model of his/her family car. To make salt dough: Mix 4 cups flour, 1 cup salt, 2 tablespoons vegetable oil, and 1 1/3 cup of water mixed with the food color of your choice. Knead. Have a variety of pasta shapes on hand to use for wheels, head lights and other details. Let the children make and decorate the cars. Encourage them to talk about the details they like in a car as they work. Make a table display of the model family cars the children make.



As reinforcement, draw a simple illustration of each type of car on an index card. Contact or laminate these for permanent classroom use. Children can sort them by foreign or domestic, sedan or station wagon, convertible or hard top, etc. If there are two or more of each type of car, a matching game can be played.



V. Imports Improve Our Lives

memory game • listening skills • vocabulary

A Bargain for Frances by Russell Hoban is a story about little girls who want tea sets from China. Read this delightful story as a springboard for activities that show how products that are imported enrich our lives and increase consumer choices.

Using outdated magazines, cut out pictures of foreign products. A variety of activities can be done with these throughout the year — make a mural or book, or use smaller illustrations to make memory games. This can be done by preparing two identical products on index cards. Children can play with 6 to 20 depending on their age. As children learn to correctly identify the objects, they increase their vocabulary of familiar objects from other countries.

Depending On Trade

by Jean Babisch

Jean Babisch has taught grades K-5 and is presently teaching first grade at Wilson Elementary School in Sheboygan, Wisconsin. She recently completed a graduate course in Economics for Teachers and plans to continue writing economics education units for children.

International Marketplace

Children who are surrounded by goods produced in other countries can be made aware of the reasons why countries produce different products; and that the trading of products makes us all interdependent.

This lesson allows students to experience interdependence and then to analyze the interdependence of people within their school. Students develop an understanding of the natural resources needed to produce many items in their own classroom. This understanding leads them to explore the many familiar products we get from other states and then from other countries.

Student Goals

1. To understand how we are all interdependent.
2. To see the relationship between resources and the products we receive from them.
3. To understand that resources vary in different states and countries.
4. To realize that the availability or scarcity of resources results in specialized production and trade.

Teaching Activities

I. Parachute Game

physical education • working as a group

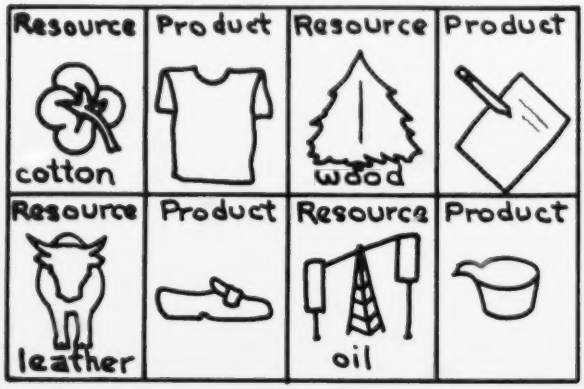
Playing the parachute game will help children realize the need to work together. First, acquire a parachute or parachute-like apparatus, and lay it flat in a large open area. Position the children around the circumference of the parachute and have them grab a section of the cloth with both hands. In an even rhythm, instruct the children to move their arms up, then down, in unison. Together, the children will cause the parachute to rise and fall. While the parachute is up, let the children take turns running underneath and over to the other side.

After the children have enjoyed this game, instruct a number of children to let go of the parachute. Now, have the children try to raise the parachute again. Ask, "Could the parachute be lifted? Could children run under? What happens in the game when you don't work together as a class? Which way works best? Which is more fun?" Explain that many times, as a class, we need to work together or depend upon each other, to get things done.

II. Workers In Our School

discussion • observation • art

A school is run not by one person working alone but by many people working together. Have the children name the different workers in our school: principal, teachers, aides, custodians, cooks, students, bus drivers, librarians, etc. Explain that everyone in the school depends on other people to do certain jobs. For example: What would happen if the teachers didn't teach? . . . . if the secretary didn't run the office? . . . . if the custodian didn't clean or sweep? Explain that these are examples of interdependence — people needing other people, not only at school but everywhere. Tack up a sheet of large construction paper so that children can make a mural depicting the people/jobs that are needed to help the school function.



III. Products from Resources

seeing relationships • deductive reasoning

From this activity children can learn that all products are dependent on certain resources, and that some resources are scarce. In advance, select five or six products in the classroom made from natural resources which you think children can identify easily using resource picture cards. For example, (1) a cotton shirt worn by a student will be matched with a resource card showing (1) a cotton plant with the word "cotton" printed below. Select other objects such as (2) pencil/paper, (3) leather shoes, and (4) plastic cup/plastic pen. To prepare the corresponding resource picture cards, draw or cut out pictures of (2) trees for "wood," (3) cow/horse for "leather," (4) oil derrick for "oil."

PARENT CORNER: *When shopping with your child, check labels to see where clothes or toys are made and explain why they're produced in those countries (natural resources, less costly labor, climate, etc.).*

In class, select children to hold up the resource picture cards at the front of the room. Explain to the class that every item/product in the room is made from a natural resource, and that we wouldn't have these items without natural resources. Tell the children that you are going to name five different objects in the room. They will guess which picture shows the resource from which each object is made. The child who has the object (shirt, pencil, etc.) can stand at the front with the child holding the matching resource card. Give children the opportunity to select other objects and find the matching resources. Conclude by asking the children, "What would happen if we kept using our natural resources and didn't replace them?" Explain that when resources are scarce it means there are not enough of them; and then the products made from those resources become scarce and more expensive. (Give examples.)

IV. Goods from Other States

social studies • concept building

In this activity children will identify particular products that come from different areas of our country, then they'll relate that information to the availability of resources in the area. In advance, cut out or color pictures of goods which are produced in various states. For example:

peanuts - Georgia	beef - Wyoming
oranges - Florida	aircraft - California
corn - Iowa	potatoes - Idaho
oil - Texas	cheese/milk - Wisconsin
cars - Michigan	lumber - Maine

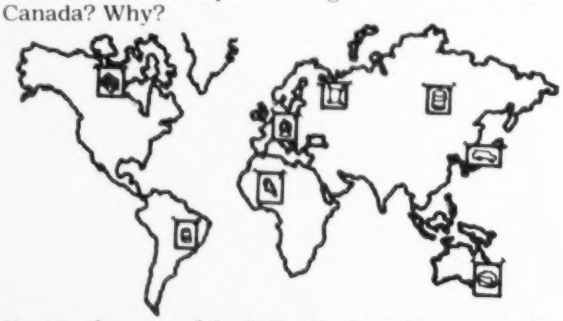
On a large map of the U.S., tack each product picture to the state which produces it. Label the map, "Products from Many States." After children locate their own state on the map of their country, direct their attention to the products on the map, and ask them to identify them. Ask, "Did you think that all of these items came from our *own* state? Did you realize how many things we use/need that come from *other* parts of our country? Can they think of any other foods, etc., that we get from other states? Why are certain products produced in certain states?" (They have the resources available — ocean, trees, land, climate, soil, animals, factories, workers, etc. — to produce these items easily. Therefore, they *specialize* in those products.) Conclude, "We depend on people in other states to produce those things that we need. Do you know how we get them? We trade *our* goods for *their* goods. We do the same with other countries."

V. Goods from Other Countries

language arts • social studies • art

This activity familiarizes children with the fact that many of the things we use, wear, and eat everyday are grown or made in other countries. To introduce these ideas, ask the class "Where do all the foods come from that are found in the supermarket?" After responses are given, read two sections of the book, "The First Book of Supermarkets," pp. 4-7, by Jeanne Bendick (Franklin Watts, Inc., N.Y.). It lists some of the items found in a supermarket and the countries from which they come. Ask the children if they've seen any items in *their* home that were made/produced in foreign countries. Show them two or three such items found in *your* home. For homework assign the children (include a note to request parent's help) to look on toy/game boxes, food packages, clothing labels, etc. for items from foreign countries. With parent's help, children can list the item and the country which produced it.

When the lists are brought to school, ask the children why they think each of the items is produced in *that* country. Explain that these countries have the resources, land, climate, workers, etc., needed to make/grow these things. For example, where would it be easier and less expensive to grow bananas? Brazil or Canada? Why?



Next to the map of the U.S., display a large map showing all the countries of the world. Label it "Product World Map." Record the list of foreign-produced items on the board. Instruct children to draw, color, and cut out the different items. First group the pictures under the name of each country, then with map pins, tack each product picture on the country which produced it. Ask the children "Do we *need* these different products? Do you think people in other countries have things that are made in the U.S.?" Explain that we trade *our* goods for *their* goods, and that countries specialize in producing those things they do best. Emphasize that peoples of the world depend upon each other for many different things.

VI. Everyone is a Specialist

awareness • observation • discussion

Everyone is a specialist and has certain jobs to do at home, at school or at work. Ask the children if their mothers and fathers have any *special* jobs that they do at home or at work. Explain that a special job is one that you have learned to do very well. Ask the children if they have a special job that they do at home (care for pets, clean toy shelf, set table, etc.). After children have had the opportunity to discuss their jobs, inform them that these are examples of special jobs that they perform; and that each person has different interests and abilities to do some things better than others.

Plan a trip to an apple orchard, a dairy farm, or other place where people specialize in producing a particular product. Discuss the resources the workers use to produce their product (land, animals, machinery, climate, water, etc.). Conclude that those workers specialize in producing apples, etc., because they have the special skills and the right resources to do so. Expand this understanding to include the reasons why certain countries produce certain products.

It's A Small World

by Jacquelene B. Dickinson

Jackie Dickinson is Coordinator of the Center for Economic Education at the University of Central Florida in Orlando. She has taught economics courses and workshops and assisted in the development and implementation of economics curricula for grades K-12 in Central Florida.

International Marketplace

Most third and fourth graders are aware that many of the products they encounter in their daily lives are made in foreign countries — items such as toys, cars, clothing and running shoes. They may hear their parents discussing the price and quality of foreign versus domestic goods, or the effects of foreign products on U.S. jobs. Although children purchase many foreign products and can identify some of them, most haven't yet developed a clear understanding of how the international marketplace operates.

Most children at this age have engaged in exchange, trading such items as stickers, toys, and baseball cards to get other things they need or want. By drawing on these experiences and expanding the student's perspective from an individual to an international one, the students will gain a better understanding of how countries operate interdependently today.

Student Goals

1. Cite reasons why money is the best medium of exchange.
2. Recognize that countries use different forms of currency and that currencies must be exchanged in order for trade to take place.
3. Calculate exchange rates in terms of American currency.
4. Recognize that countries specialize in the production of goods they produce best, then they sell them to countries that need them.
5. Understand that specialization and trade make nations interdependent.

Teaching Activities

I. How A Trade is Made

making comparisons • reasoning

This activity provides students with the opportunity to trade by bartering (exchanging goods without the use of money, as is done in less-structured economies), then to trade using money (the medium of exchange commonly used in modern economies).

A. Define exchange as giving up something to get something else. Explain that people exchange or trade goods and services to get those things they value more or that they don't have. Ask the students if they have ever traded anything with a classmate, friend, or family member. When examples are given, ask individuals to name reasons why they made their exchange.

In advance, the teacher will cut out and label magazine pictures of foreign products. The approximate price should be written on the back of each item for later use. Examples of foreign goods include: Nikon (Japanese camera), Sasson (French clothes), Omega (Swiss watch), Volvo (Swedish car), Panasonic (Japanese radio), Godiva (French chocolate), and Chiquita (Guatemalan bananas). These products are just a few examples for this activity.

Provide each student with a magazine picture. Explain that the picture represents an item that they are willing to trade. Ask them to write down the name of a different item they would like to have and then try to find somebody who will make an exchange. After about ten minutes ask everybody to return to their seats. Ask the following questions: (1) How many of you got the item you wanted? (2) How many people did you ask to trade? (3) Were some items worth more than others? What problems did this present? (4) What could happen to the bananas and chocolate if they weren't traded within a short time? (5) Would you like to trade every time you needed something? The students should conclude from the discussion that this is an inconvenient method of exchange.

Explain that the process that just took place is called barter — an exchange of goods without the use of money. Ask: (1) Is this how goods and services are usually exchanged today? When your mother or father buys you a new pair of shoes, is something traded from home? (2) What is used instead to make exchanges? When money is mentioned, explain that money is a medium of exchange — anything which is commonly accepted in exchange for goods and services.

B. Hold up some of the pictures and identify (with the students' help) the countries which produced the products (according to the company name).

Distribute simulated paper money and coins to each student. (This can be printed with a money stamp, or be taken from a game.) Provide each student with enough money to cover the cost of each pictured item. Call attention to the price on the back of each picture. Allow ten minutes for the students to find an item they want to buy and purchase it.

When the students have returned to their seats, ask the following questions: (1) Did more people make

PARENT CORNER: *When grocery shopping with your child, find several food items that are imported (canned tomatoes, tuna). Have your child read the label to identify the foreign country, then count the different countries found on each trip.*

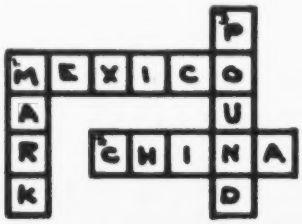
an exchange this time? (2) Did it take more or less time? (3) How did you know how much something was worth? (4) How do prices make exchanges fairer? (5) Did anyone refuse to accept your money? (6) If you don't want to spend your money, what can you do with it? (7) Would you rather barter or use money to get things you need and want? This discussion should lead the students to conclude that the use of money has many advantages over bartering. When countries exchange goods and services, money enables them to get exactly what they need and want, and to pay the exact price.

II. Is All Money the Same?

listening skills • critical thinking • math

Inform the class that countries as well as individuals trade to get the things they need and want. Ask if they think all countries use dollar bills, half-dollars, dimes, etc. Explain that money is used to make exchanges or purchases, but different countries use different coins and currency (paper money). Ask students if they've ever seen money from other countries.

Arrange for a banker to talk about money and bring samples of currency from ten (will vary) different countries. List the names of countries and their corresponding currency on the board. For reinforcement students may work in pairs to complete a puzzle similar to the following. Use as many different countries/currencies as possible when making the puzzle.



Example: **The across clues provide the currency and ask for the country. The down clues provide the country and ask for the currency.**

Across:

1. The peso is the currency used in _____.
2. The yuan is the currency used in _____.

Down:

1. The _____ is the currency used in West Germany.
3. The _____ is the currency used in Great Britain.

Explain that the money from other countries is not worth the same as money in the United States. If a Japanese car manufacturer sells cars to an American dealer, he wants to be paid in Japanese currency. If he were paid in American currency, he would not be able to buy goods and services in Japan. The shopkeepers would not accept dollars just as the American shopkeepers would not accept yen. Ask the students if they have ever placed a Canadian coin in a vending machine. What happened? (It was returned because it was not an American coin.) Inform the class that the American car dealer can go to a bank and exchange dollars for yen. (The exchange rate process has been greatly simplified so students can grasp the basic concept.) Have the students calculate problems such as the following:

Example: **1. A French franc = 15¢**
2 francs = 30 cents
100 francs = 15 dollars

2. A Japanese yen = 1¢
100 yen = 1 dollar
1000 yen = 10 dollars

(These exchange rates have been approximated to enable this age group to complete the calculations.)

Inform the class that Americans planning to visit a foreign country can go to a bank and exchange American money for foreign money. Ask students who have visited a foreign country to share their money experiences with the class.

III. We Need This, But They Need That

vocabulary • research skills • critical thinking

This activity will develop student awareness of worldwide interdependence. Explain to the class that countries produce goods and services and sell them to other countries. These products are called "exports." Countries also buy goods and services from other countries. These products are called "imports." By exchanging goods and services, countries can get the things they do not have or cannot make easily.

Tell the class they are going to do a research project that will help them understand why countries need each other. Divide the students into pairs. Assign each pair a country. Prepare a handout which lists the information students must find on a 4" x 6" card. The students need to find: the country's major exports, major imports, main trading partner, and main trading partner's currency. Take the class to the library. Each pair will use encyclopedias, library books on countries, almanacs, or other reference books to find the above information for their assigned country.

Upon completion of the assignment, ask the students: (1) Why do countries sell (export) certain products? (They export products they can make easily and inexpensively with the resources they have available; export products countries want.) (2) Why do countries buy (import) certain products? (They import products they can't make easily and inexpensively within their own country.) (3) What would happen if countries did not buy other countries' products? (fewer products available to them; and more money spent making these products themselves.)

Explain that countries depend on other countries to provide the things they don't have. Every country makes the products they can produce best. This is called "specialization." Ask the students to name some of their country's exports. These are the products their country produces the best which other countries want to buy. Countries that depend on other countries for products become interdependent.

Islands of Trade

by Eileen F. Kalb

Eileen F. Kalb has most recently been Assistant Director of the Center for Economic Education at Florida State University in Tallahassee. In addition to her interest in furthering economic understanding, she is involved in teaching literacy to adults through the Literacy Volunteers of America, Inc.

International Marketplace

Toys, stickers, and lunchbox items are among the things that fifth and sixth graders trade with one another in order to increase their "wealth." These students have already developed a sense of values concerning what items they have or want. Among these items undoubtedly are toys or clothing made in other countries. Nations trade such goods in order to have those things they cannot produce, or cannot produce easily or inexpensively at home.

In order to understand the international marketplace, students will experience first-hand the reasons why international trade is both desirable and necessary. As mature consumers of the future, these students will be increasingly affected by international goods, services, and career choices. It is time for them to develop an awareness of this important aspect of our economy.

Student Goals

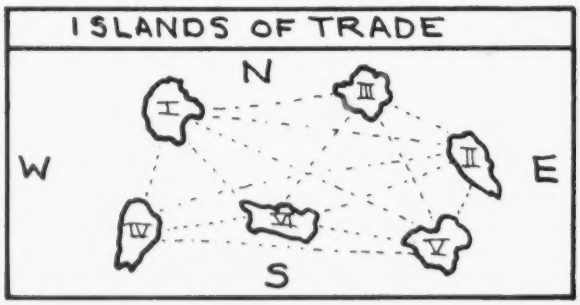
1. Understand that limited resources lead to specialization.
2. Recognize that scarcity of resources and specialization prompt countries to trade for goods and services; and that trade causes countries to become interdependent.
3. Realize that by producing at the lowest cost and then trading for goods and services, each nation gains from comparative advantage.
4. Understand the need for an international medium of exchange in order to avoid an unwieldy trade system.
5. Understand the importance of the balance of payments (money flowing out for imported goods and flowing in for exported goods).

Teaching Activities

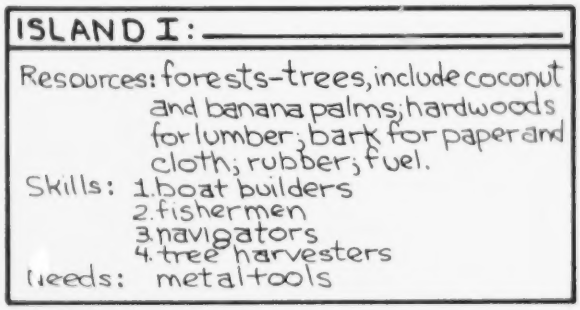
I. Formation of Island Nations

discussion skills • social studies • observation

This activity will create six island nations by dividing the class into six groups. As they gather into groups, display a map of the six islands. Explain that all are close to each other, but are too far to reach except by boat. Dotted lines indicate the accessibility of each island with the others.



Distribute a large information sheet to each island group which lists the island's resources, skills, and one need (i.e., something the island lacks and requires). Each group receives different information. Have the inhabitants name their island, relating the name to a social studies person, place, or event. Write each name on the map. Discuss the skills listed and the goods that inhabitants can provide with these skills. Then discuss and list those things that the islanders need or lack. After this is done, display each information sheet and bring the class together for discussion.


ISLAND I:
Resources: forests-trees, include coconut and banana palms; hardwoods for lumber; bark for paper and cloth; rubber; fuel.
Skills: 1. boat builders
2. fishermen
3. navigators
4. tree harvesters
Needs: metal tools

Island Information Sheets:

II. *Resources:* rich soil for farming—grains, vegetables, bamboo . . . *Skills:* miller/baker; raft makers; farmers; fishermen. *Needs:* milk

III. *Resources:* minerals and rocks for tools and for stone building blocks; *Skills:* stone masons, tool makers, fishermen, quarrymen; *Needs:* food

IV. *Resources:* small animals—pigs, sheep, rabbits, and chickens. *Skills:* fishermen, chicken farmers, butchers, wool spinners. *Needs:* animal feed

V. *Resources:* large animals—cows, horses, goats. *Skills:* dairy farmers, cheese makers, butchers, fertilizer traders. *Needs:* barns
VI. *Resources:* herbs, flowers, and abundant driftwood. *Skills:* medicine makers, fishermen, beekeepers, cloth weavers for sails and clothing. *Needs:* fertilizer

Discussion Questions:

1. What name did you pick for your island and why?
2. What kind of fishing can you do, considering the kinds of equipment you can make from your resources?
3. Look at the resources on your island and think about what kind of shelter you might have.
4. What are the needs of your island and how might you get them?
5. When you plan to trade with the other islands, what can you trade? How much can you trade?
6. Do other islands have the items you may need? How would you trade?

II. Tinker, Tailor . . .
discussion skills • decision making • evaluating

Divide the students into their island nations. Appoint an "ambassador" as spokesperson and a clerk to record for each island. Now each student must decide which skill he or she wants to have, making sure that all skills are covered. Ask the clerks to list on a sheet of paper the materials that are needed to do each job. Next, have the islanders look at the other islands' resources to see which of these products are needed most in order to have a better life. Ask each group to think about what they will offer another island in exchange for the products they want. Then hold a class discussion.

Discussion Questions:

1. What kind of job do you have and how do the resources you have affect your job?
2. Look at the resources on each island. Which three islands could build boats or rafts? Why?
3. How important is a boat on an island?
4. What items would you like most to have?
5. What is a "fair" amount of one of your resources to offer to another island nation?

III. Trade At Last!
math • discussion skills • record keeping

Give islands I, II, and VI slips of paper with the names of the other island with which they will trade in each session. (Example: Trading Session 1: Islands I & III; II & IV; VI & V. Session 2: I & IV; II & V; VI & III. Session 3: I & V; II & III; VI & IV.) These will be the first trading ventures between the three islands whose inhabitants can sail and those that cannot. Have the island inhabitants go to the first assigned island for trade; have the ambassadors be the spokespersons. Remind the clerks to record the transactions. As soon as two items are traded between the two islands, have each group move to trading Session 2, and then Session 3.

Discussion Questions:

1. Why do the islanders need one another? (They become interdependent because they have different resources on each island.)
2. What is it you have to offer that other islands need?
3. Is it to your advantage to try to produce those things you don't have (such as boats or grain), or is it more to your advantage to trade those things you *already* produce for other things that you need? (People trade with a comparative advantage when they produce those goods that they're able to make easily and at the least cost, then trade those goods for items that *others* produce in the same way. This is producing with a comparative advantage. Discuss other examples.)

IV. Valuable Matters
math • values • art

Explain that the islands have been using the barter system for the exchange of their products and that such trade could be very difficult if, for example, it took a boatload of vegetables to buy one cow. Guide the students toward establishing an international medium of exchange. Ask the students if there is one item that is common to all the islands, which could be assigned a value. (This could be a particular type of shell common to all islands.)

Have ready three different sizes of simple shells drawn on a sheet of paper. Have the students trace and cut out ten of each size shell. The small shell is 10 units, the medium shell is 100 units, and the larger is 500 units. Now have each island group set prices for each item they have to trade.

Each island should send their ambassador and clerk with some money to another island to buy something they have not yet acquired. If an item costs more than they have, they may go home for more money leaving some behind, so that inhabitants can do business with other visitors. (Any islander can negotiate with foreign ambassadors.) If it is felt that a price is too high, it can be negotiated. After the transaction, the students return to their island to determine how much they spent and received. Then discuss the importance of having money flow in and out to maintain a balance of payments (a balance between money spent on foreign goods and money received for domestically-made goods).

Discussion Questions:

1. How did you decide on the prices of your items?
2. Do you think that the foreign ambassadors felt your prices were fair?
3. Did you change your prices? Explain.
4. Did you spend more money or make more money?
5. Suppose you have 6,100 in shell money and spend 5,900 on products from other islands, however, no one buys anything from you. What might happen?

(continued from page 3)

with foreign-made televisions, calculators, running shoes, and clothing. Increased imports in 1983 and 1984 were strong contributing factors to the lower rates of inflation in the United States. Some imports such as semi-conductor chips, basic metals, or cloth are materials that are used as inputs by U.S. manufacturers. Restrictions on automobile and steel imports result in higher prices to American consumers. Sellers not only have more leeway to raise prices but also feel less pressure to contain costs. Restrictions on steel imports directly increase costs to manufacturers of items like cooking utensils. When exports increase relative to imports, *producer* interests are served; when imports increase relative to exports, *consumer* interests are enhanced.

Recent experience suggests that comparative advantage in producing a wide range of products like clothing and television sets and some basic materials such as copper has shifted abroad. U.S. comparative advantage is in products with advanced technology, agricultural products, and a wide range of services, including financial services. The desire of foreigners to exchange their currency for U.S. dollars and invest them in the U.S. is as much an import on their part as when they purchase computers from us.

Ultimately, exports and imports are linked. By exporting goods and services to us, foreigners earn the dollars they need to purchase imports from us. If the United States reduces its imports, exports will follow suit. We will end up producing goods and services that would be more efficiently produced abroad. Total exchanges would decrease. Fewer goods and services would be produced and available because of the less efficient use of resources. National wealth would decrease. For virtually all families, attempts to be self-sufficient by producing what the family consumes would lower their standards of living. The consequences for nations are the same.

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Published by the National Center
of Economic Education for Children
Lesley College, Cambridge, MA 02138
Phone: (617) 497-6296, 868-9600

National Center
of Economic Education for Children
at Lesley College • 35 Mellen Street
Cambridge, MA 02138

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